SEPTEMBER 1987

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Incentive Marketing

A BILL PUBLICATION

INCENTIVE TRAVEL

IDEAS for MARKETERS

What to look for at the Chicago motivation shows

- **Mall promotions: Getting cozy with consumers**
- **Can you trust your suppliers?**
- **Incentive travel survey**

INCENTIVE MARKETING

SEPTEMBER 1987 83rd Year, Vol. 161, Number 9

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FACTS
UPDATE

Incentive Travel SURVEY

Incentive travel campaigns generate sales gains averaging 20.8 percent and remain profitable despite increasing costs.

REINDEER SAFARI BY FINNISH TOURIST BOARD

Incentive travel continues to draw rave reviews from marketers, who report sales gains averaging 20.8 percent when they undertake a travel campaign. And even though trip costs rose this year at a double-digit clip, marketers say the cost as a percent of incremental sales actually dropped. Most intriguing in the current survey of incentive travel users, though, are the problems marketers face when using travel awards to motivate their salespeople, distributors and employees.

Although survey respondents seem convinced about the value of incentive travel, top management presents a problem. A Midwestern chemical executive notes that he has trouble "convincing executives that travel means a lot more to salespeople on the firing line than executives think it does."

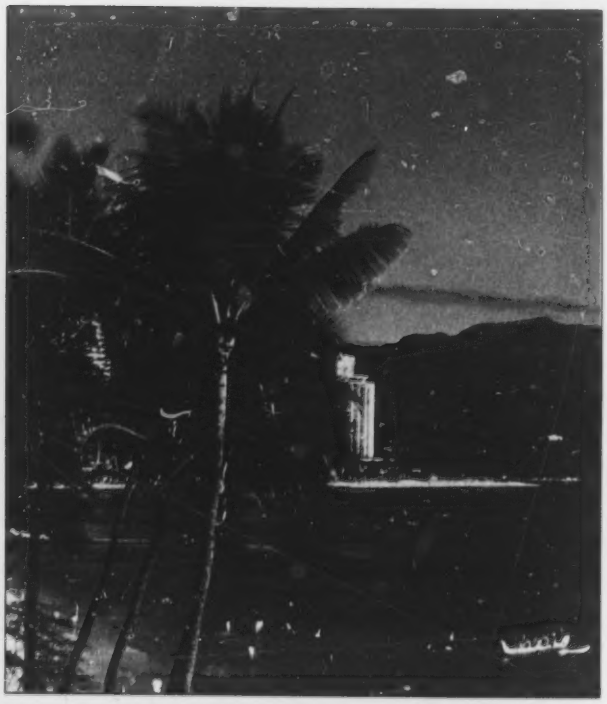
A California distributor running fairly big trips for salespeople and retailers has to sell quality —"convincing the president and executive vice president of the value of a top-quality incentive trip as opposed to a cheap program."

A Western heating and air conditioning supplier with a substantial travel budget says, "We're still in the dark ages of sales motivation because our general manager looks upon incentives not as an inducement to buy...but more of a 'thank you' for your purchases. Proper rules structuring would do a lot to enhance sales performance."

Scott Trentadue, vice president of the Goetz Broadcasting Corporation, Fort Atkinson, Wis., adds that "the biggest problem is convincing the chief executive officer that there will be a sales increase that will lead to a larger bottom line."

Many who conduct incentive travel programs end up with some nagging questions: What is truly incremental business? What would happen without the promotion? What factors outside the program influenced the results?

And, perhaps, the longer the promotion, the more room for doubt. Jim Agnew, second vice president of the American Mutual



DIAMOND HEAD IN HAWAII

Life Insurance Company, Des Moines, asks: "What impact did the incentive program have on increased sales—or what would sales have been without the program—keeping in mind that we have a two-year qualifying period for our major meeting?"

Another variable is suggested by a New England floor covering wholesaler: "Because we are consistently offering special promotions with primary emphasis on price, we have never been able to pinpoint the exact influence the trip has on our dealers." For this reason, he does not try to attribute sales increments to the incentive program specifically. "We look at total sales," he says. Other companies take a similar approach.

Despite these problems, marketers report impressive results when asked how much sales gained during the travel incentive campaign against sales in the same period the year before. This year's reported sales gain of 20.8 percent was up three percentage points from 1986.

And, though the cost of trips rose by a staggering 19 percent to a new high of $1,638 per person, the improved sales results brought the cost per incremental sales gain down to 10.7 percent from 11.5 percent last year.

Increased costs concern a number of this year's respondents. While all the numbers add up to successful promotion, there is evidence that escalating price tags may be causing some marketers to cut back on travel usage. With better results than last year's, and in an economic climate not significantly better or worse, the rate of expansion in incentive travel spending seems to be slowing. In 1986, incentive travel spending rose

POPULAR DESTINATIONS

DOMESTIC
395 Responses

85-HAWAII
8-Maui
2-Honolulu

78-FLORIDA
16-Orlando
6-Fort Lauderdale
3-Marco Island
3-Miami
2-Boca Raton
2-Key West
2-Tampa
2-West Palm Beach

60-CALIFORNIA
11-San Diego
10-San Francisco
9-Palm Springs
6-Tahoe
4-Los Angeles

24-NEVADA
20-Las Vegas
3-Reno

19-ARIZONA
9-Phoenix
4-Scottsdale
4-Tucson

14-NEW YORK

14-TEXAS
7-Dallas
3-San Antonio

13-MISSOURI
8-Kansas City
4-Lake of the Ozarks
1-St. Louis

13-PUERTO RICO
2-San Juan

7-SOUTH CAROLINA
3-Hilton Head
3-Myrtle Beach
1-Kiawah Island

7-TENNESSEE
6-Nashville

6-ILLINOIS
6-Chicago

6-MASSACHUSETTS
5-Boston
1-Cape Cod

6-WEST VIRGINIA
4-White Sulphur Springs

5-GEORGIA
5-Atlanta

5-LOUISIANA
5-New Orleans

4-COLORADO
3-Vail
1-Denver

4-PENNSYLVANIA

4-VIRGIN ISLANDS
4-St. Thomas

4-VIRGINIA
2-Hot Springs

2-KENTUCKY

2-NEW JERSEY
2-Atlantic City

2-VERMONT

2-WASHINGTON, D.C.

2-WISCONSIN
2-Milwaukee

1-ARKANSAS

1-INDIANA
1-Indianapolis

1-KANSAS

1-MINNESOTA
1-Minneapolis

1-OKLAHOMA

1-OREGON
1-Sun River

1-UTAH
1-Sun Valley

FOREIGN
276 Responses

160-WESTERN HEMISPHERE

50-MEXICO
12-Acapulco
6-Puerto Vallarta
4-Cancun
2-Mexico City

28-BAHAMAS
10-Nassau
2-Freeport
2-Paradise Island

25-CARIBBEAN
7-Jamaica
4-Aruba
3-Dominican Republic
2-Barbados
2-St. Maarten
1-St. Lucia

14-CANADA
4-Montreal
3-Vancouver

9-BERMUDA

4-SOUTH AMERICA
3-Brazil
1-Columbia

1-CENTRAL AMERICA
1-Costa Rica

79-EUROPE

23-ENGLAND
17-London

9-SPAIN

9-SWITZERLAND

8-ITALY
2-Rome
2-Venice

7-FRANCE
5-Paris

7-GERMANY

2-DENMARK

2-NETHERLANDS

2-SOVIET UNION

1-AUSTRIA
1-Salzburg

1-FINLAND

1-GREECE

1-IRELAND

1-MONACO
1-Monte Carlo

1-NORWAY
1-Oslo

1-PORTUGAL

1-SCANDINAVIA

1-SCOTLAND
1-Edinburgh

1-SWEDEN

29-CRUISES
11-Caribbean
3-Mexico

29-FAR EAST

13-JAPAN
4-Tokyo

10-HONG KONG

2-SINGAPORE

1-CHINA

1-KOREA

1-MALAYSIA

1-THAILAND

8-SOUTH PACIFIC

5-AUSTRALIA

2-TAHITI

1-FIJI

Most users evaluate results based on total units or dollars sold.

6.5 percent over that of 1985. Although final figures won't be available until December, early results point to an increase of only about 4.1 percent this year.

Steven Kendall, marketing manager of the Dukane Corporation, St. Charles, Ill., says, "Travel costs are usually so high that small accounts effectively are left out, because their incremental sales can't justify a travel award."

And C. H. Hutchinson, president of the LRP Electronics Corporation, Lima, Ohio, notes that, "Increasing cost over last year has us looking at merchandise promotions, thus cutting down on trips." From a budget that was top heavy with travel in 1986, he has shifted the emphasis strongly toward merchandise in this year's programming, but he is still conducting one domestic trip for about 100 people over three nights.

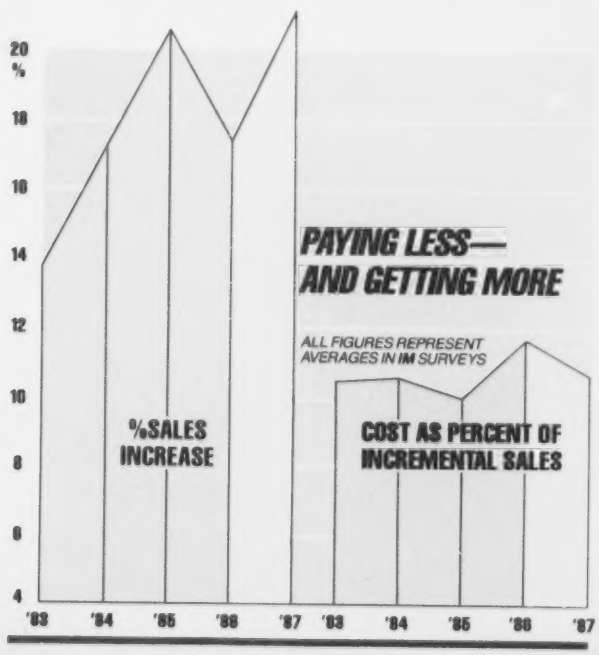
One wholesaler notes the problem of "receiving accurate information concerning cost when planning one and a half years in advance."

Not only is the average cost per person way up—more than $250 over 1986—but the median rose as well. After years of holding steady at $1,200, the figure leaped to $1,400. Overall budgets did not rise by a corresponding rate because fewer people qualified for awards, with a 34-percent qualification rate reported this year against 36 percent in 1986. The average number of travelers per company in this study is 142, down from 157 a year ago.

Respondents also cite problems with incentive travel suppliers. It appears that a full-service company offering promotion and trip fulfillment would be the best answer for many companies, but some disagree. "Most incentive travel companies don't really understand the needs of companies using their services," says Ronald Braswell, director of sales administration for the Reynolds & Reynolds Company, Dayton, Ohio. "Instead, they want to shove their own ideas and standards on you."

A New England machinery firm with a six-figure budget says that full-service companies "are too expensive for our limited programs. Those who will service our needs do not provide adequate promotion tools."

An executive of a major office-equipment company has problems with "the ability of hotels to adjust



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HILTON HEAD ISLAND

This year's survey finds a surprising increase in the amount spent per traveler—up 19% to $1,638.

to changing conditions and/or their ability to handle pre-conference logistics and registration. Additionally, conference and hotel sites often fail to anticipate peak workloads—arrival and departure periods for large groups."

Despite planning with a local travel agent, Paul N. Gale, executive vice president of Western Water Management Inc., North Kansas City, Mo., is plagued by problems with "follow-through on arranged plans—events, meals, tours, car rentals, etc.—specifically arranged in advance, not available on arrival even though fully confirmed."

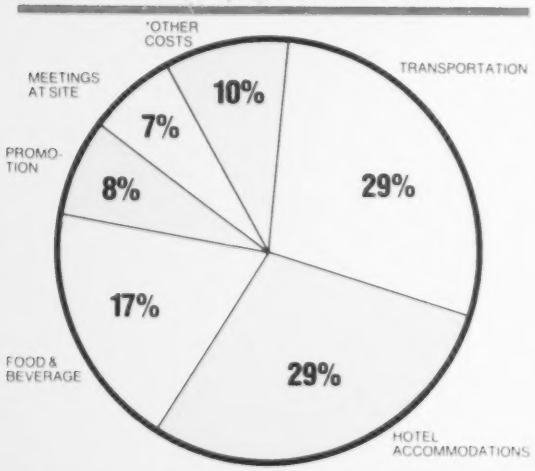
Survey respondents provide these planning insights:

Who is the target? Company-employed salespeople are the most numerous of incentive travelers, targeted by 75 percent of survey respondents. Following are: retail dealers, named by 36 percent; distributors, 25 percent; dealer sales personnel, 22 percent; independent sales reps, 17 percent, and non-sales personnel, distributor salespeople and direct-selling people, each indicated by 15 percent. The total exceeds 100 percent, because the users direct their travel campaigns at an average of more than two categories each.

In dollars, 51 percent of total expenditures involve company salespeople and employees, with the remainder spent on dealers and distributors.

What is the purpose? Of 10 objectives listed in the survey, "increase overall volume" is the one most frequently indicated. This

WHERE THE TRAVEL BUDGET GOES



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M. A. RIORDAN

Although buyers are convinced that incentive travel works, they have difficulty convincing top execs.

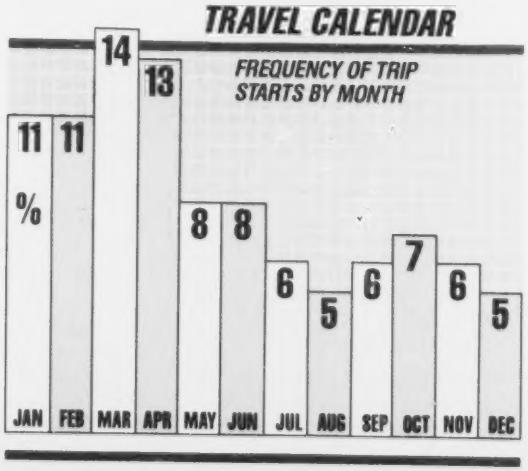
year, 71 percent of travel users picked increased volume as their prime objective, against 81 percent a year ago.

Improving morale or goodwill runs second with 47 percent. Another 37 percent want to sell new accounts. Other objectives include: stimulating product introductions, 26 percent; helping to move a full line or slow items, 24 percent; offsetting competition, 22 percent; bolstering a slow season, 18 percent; preparing for a strong season, 13 percent; building dealer traffic, 10 percent, and supporting consumer promotion, 10 percent.

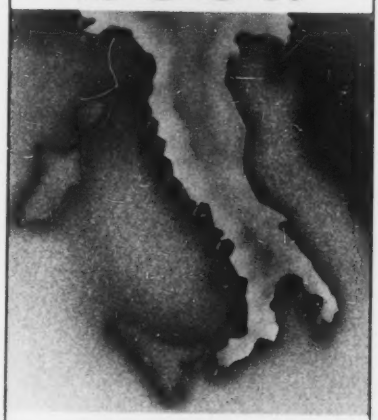
Planning, rules, budgets. Setting objectives and rules is difficult, and that is reflected in extensive planning time. In this year's survey, planning begins an average of 44 weeks before the trip departure, five weeks longer than last year. The qualifying period has grown to 31 weeks from 28 weeks last year.

The ideal rule structure is open-ended, permitting all who reach stated goals to earn the trip. That is according to 76 percent of users in this survey, up from 63 percent last year. Sixty-one percent of the executives base qualifying levels on sales forecasts, while some 30 percent determine how much the trip will cost and set their quotas accordingly. Nine percent use other methods, presumably a combination of the two.

The budget must be reasonably firm: 62 percent set a special budget for the campaign in advance, while only 16 percent await the campaign's outcome before determining the budget. Another 14



Give your best people the boot.



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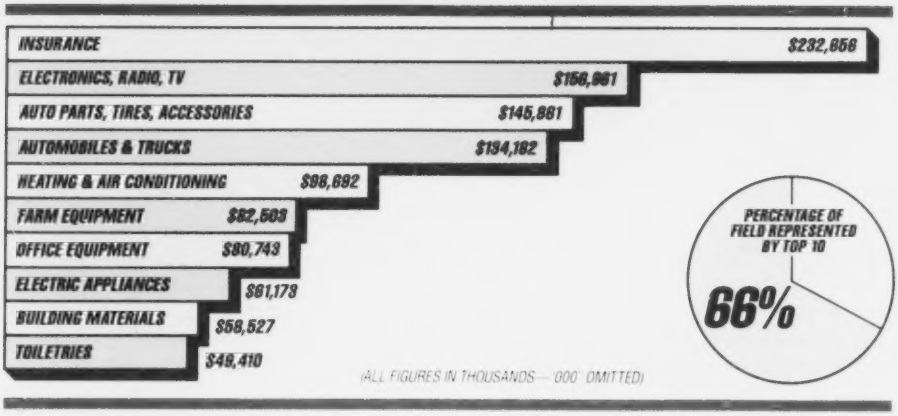
TOP 10 INCENTIVE TRAVEL USERS (1986)



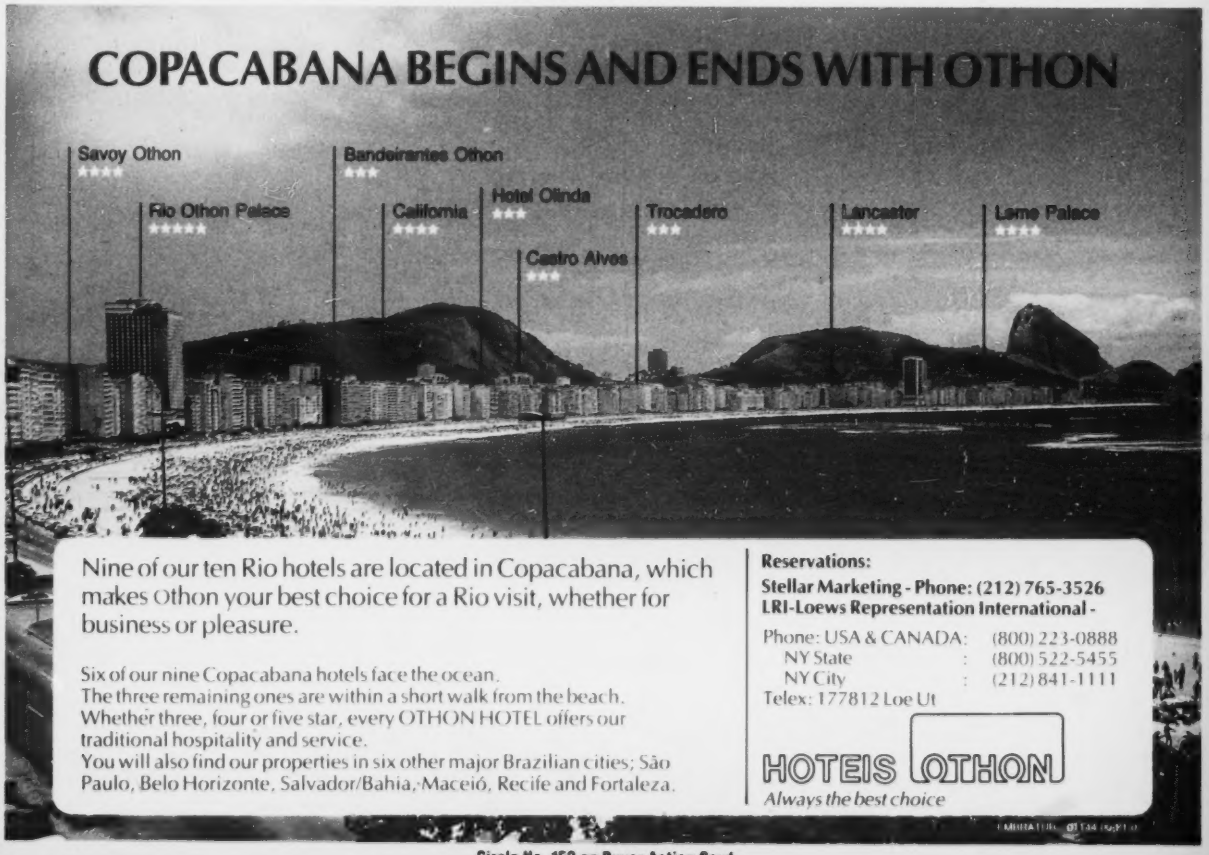
percent use regularly allocated promotion funds, and 9 percent earmark a percentage of anticipated added sales.

Some respondents have an additional variable to consider in the budgeting process—buy-ins. Thirty percent of respondents let participants pay cash for a portion of the trip cost that they do not earn. Among those who provide the option, an average of 26 percent of participants elect to buy-in.

Who makes decisions? The climax of the planning process is the final decision, and that remains a top-management prerogative. Chief executive officers, presidents, vice presidents and general managers make the final decision in 69 percent of the surveyed companies, five points higher than in last year's survey. Sales or marketing directors were named by 23 percent of respondents, followed by product or merchandising managers (4 percent), meeting planners (3 percent) and advertising or promotion directors (2 percent).

As for actual trip planning, 42 percent of respondents use a local travel agent; 23 percent rely on in-house personnel; 22 percent use a full-service incentive company, and the remaining 13 percent work directly with airlines, hotels and ground operators.

CONTINUED ON PAGE 94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TAHITI TOURIST PROMOTION BOARD

Overseas destinations are back after a year hurt by terrorism fears.

Evaluation. How do executives measure sales results? Total units/dollars sold represents the leading criterion, chosen by 58 percent. A fairly strong second is the percentage of eligible people reaching goal or quota, favored by 41 percent. Running farther behind are three other measurements: increase in market share, 18 percent; profit on incremental sales, 17 percent, and branch or district performance, 15 percent.

Following are some trends in incentive travel usage:

In 1986, travel users spent an estimated $1.67 billion. The sales incentive portion—51 percent—grew at a 7.5-percent rate over the prior year, while dealer campaigns grew only 5.6 percent. Preliminary estimates for 1987 show incentive travel for salespeople running ahead by 4.4 percent and for dealers, up 3.8 percent.

Group trips are favored by 62 percent, with the remainder giving individual travel awards. Whether in groups or individually, the travelers usually come in pairs, with spouses included in the plans of 92 percent of respondents. The average trip lasts over five nights, the same as in last year's survey.

Business meetings are included by 62 percent of the executives who take groups—an increase from 53 percent who planned meetings last year. The average meeting time on a trip rose to 10 hours, from 8.7 hours among the previous survey group.

Companies that favor foreign destinations run a median of one campaign a year, while firms that prefer domestic sites have a median of two each year. About 50 percent of respondents said they use foreign trips and 86 percent indicated domestic sites, suggesting that about 36 percent use both. In dollars, however, expenditures for domestic programs represent about 72 percent of the total. This is probably because of the greater number of domestic movements involving larger numbers of people. ■

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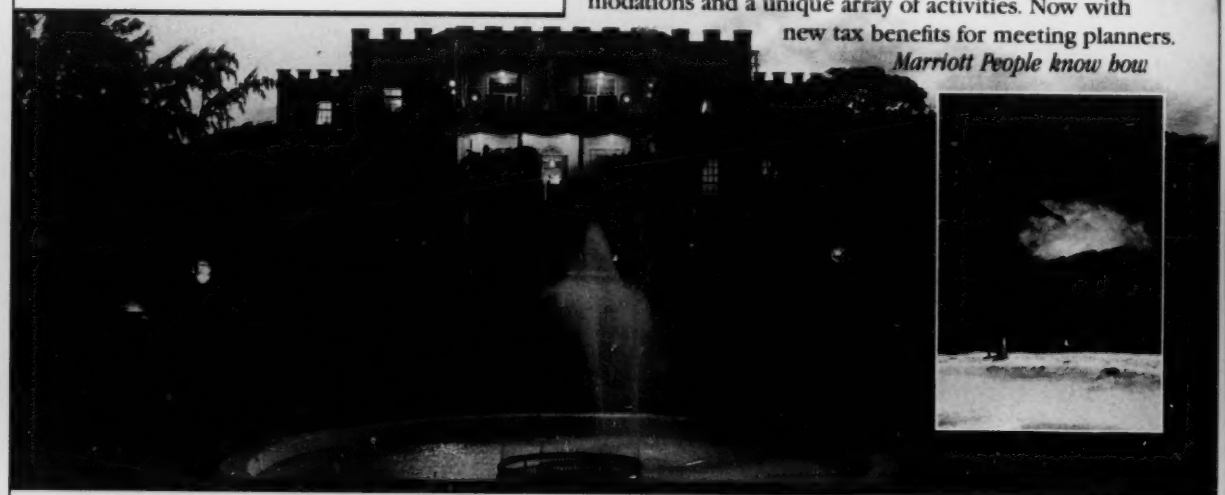

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